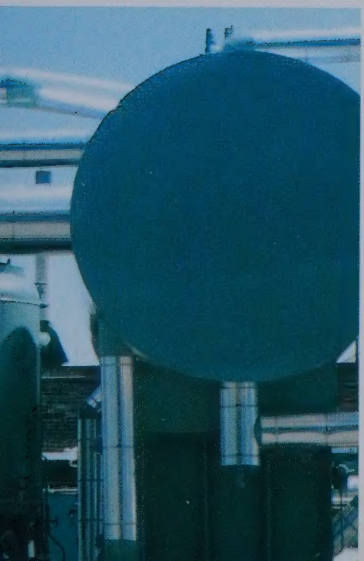
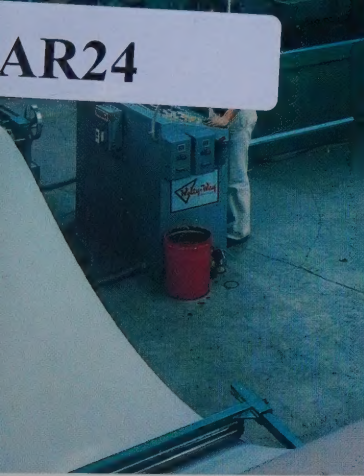


AR24



TOROMONT INDUSTRIES LTD.

ANNUAL REPORT 1979

THE COMPANY

Toromont has manufacturing operations in Canada and the United States and sells to international markets. Major areas of operation are the following:

Industrial Refrigeration

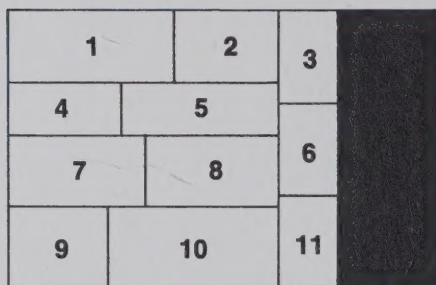
specializing in the design, manufacture, installation and servicing of refrigeration systems serving the food processing, petrochemical and recreational industries.

Engineered Products

Specialty forgings — design and manufacture of quality forgings for the jet engine, nuclear, pipeline and other energy-related industries.

Steel laminations and wound electrical cores — serving the electrical and electronic industries.

THE COVER



The photographs on the cover depict some of the company's products and production operations.

1 - Peas being individually quick frozen on a Lewis System 700 I.Q.F. freezer.

2 - Automatic production line at Aero Tech for the manufacture of tote boxes for an automated warehouse.

3 - Typical forgings produced at CanForge's Closed Die Plant.

4 - Car bottom load of forgings on exit from furnace - CanForge.

5 - El-Met-Parts' slitting machine in operation.

6 - Installation of fractionating tower, vessels and air cooled heat exchangers fabricated at Allen's Toronto and London plants for a large Toronto area oil refinery.

7 - Lewis CIMCO ScrewPak installed at Maple Leaf Gardens in Toronto.

8 - Ultrasonic examination of nuclear pressure vessel nozzle forging - CanForge.

9 - Hydraulic clamp for cores for distribution transformers at El-Met.

10 - Lewis CIMCO Unipak for ammonia recovery sold to a major textile company to be used in the production of cloth for all-cotton, permanently pressed dress shirts.

11 - Portion of a stainless steel turbine ring produced on CanForge's 100/80 radial axial ring mill.

Industrial Refrigeration

CIMCO Limited
Allen Tank Limited
Allen Tank (London) Limited
Lewis Refrigeration Co.
Aero Tech Mfg., Inc.

Engineered Products

Canada Forgings,
a Division of Toromont Industries Ltd.
EI-Met-Parts
Division of Toromont Industries Ltd.

Head Office

65 Villiers Street
Toronto, Ontario
M5A 3S1

Auditors

Touche Ross & Co.
Chartered Accountants

Bankers

The Mercantile Bank of Canada, Toronto
The Toronto-Dominion Bank, Toronto

Common Shares

Listed on
The Toronto Stock Exchange
Montreal Stock Exchange

Transfer Agent and Registrar

Crown Trust Co.
Toronto and Montreal

TOROMONT
INDUSTRIES LTD.

**INTERIM REPORT
TO SHAREHOLDERS
SIX MONTHS ENDED JUNE 30, 1979**

To The Shareholders

For the six months ended June 30, 1979, our sales were \$34,817,000 and net earnings for the period were \$750,000 or 23.9¢ per share. In the comparable period last year, sales were \$29,448,000 and net earnings from continuing operations were \$696,000 or 22.7¢ per share. In the 1978 period, there was a gain on sale of property of \$291,000 which resulted in final net earnings of \$991,000 or 32.4¢ per share for that period.

With the exception of weaknesses in the U.S. markets, our business continued strong throughout the second quarter and to date. Toromont will enjoy a satisfactory year in 1979 and earnings for the full year are now expected to exceed those of 1978.

Despite the many uncertainties facing the economies of both Canada and the U.S., we believe that 1980 will be a year of continuing growth for Toromont which will be accompanied by a further increase in earnings.

S. J. Sinclair
Chairman of the Board &
Chief Executive Officer

August 15, 1979

TOROMONT INDUSTRIES LTD. and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS for the Six Months ended June 30, 1979 (with comparative figures for 1978)

	(Thousands of dollars)	
UNAUDITED	1979	1978
Sales		
Industrial refrigeration	\$19,785	\$18,505
Engineered products	15,032	10,943
	<u>\$34,817</u>	<u>\$29,448</u>
Earnings from continuing operations before income taxes	\$ 1,280	\$ 1,327
Provision for income taxes	530	631
Net earnings from continuing operations	750	696
Net earnings from discontinued operations of subsidiary company (note)	—	4
Gain on sale of property	—	291
Net earnings	750	991
Retained earnings beginning of period	9,195	5,612
Dividends declared — common	(314)	(383)
Retained earnings end of period	<u>\$ 9,631</u>	<u>\$ 6,220</u>
Earnings per share		
Continuing operations	23.9¢	22.7¢
Discontinued operations	—	.2
Gain on sale of property	—	9.5
Net earnings	<u>23.9¢</u>	<u>32.4¢</u>

Note: The company sold its subsidiary, F. B. McFarren, Limited, in December 1978. The 1978 financial statements have been restated to exclude the operating results of this subsidiary from sales and from earnings from continuing operations.

TOROMONT INDUSTRIES LTD. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION for the Six Months ended June 30, 1979 (with comparative figures for 1978)

	(Thousands of dollars)	
UNAUDITED	1979	1978
Source of funds		
Operations		
Net earnings from continuing operations	\$ 750	\$ 696
Add items not requiring use of funds		
Depreciation	488	431
Deferred income taxes	33	56
Goodwill written off	3	160
Funds from continuing operations	1,274	1,343
Net earnings from discontinued operations	—	4
Proceeds from sale of property less applicable income taxes	1,274	1,347
Decrease in notes receivable and other assets	—	614
Increase in unrealized gain on foreign exchange	29	108
	<u>—</u>	<u>10</u>
	1,303	2,079
Application of funds		
Additions to property, plant and equipment	477	1,753
Dividends	314	383
Decrease in long term debt, net	468	202
Decrease in unrealized gain on foreign exchange and other	25	—
	<u>1,284</u>	<u>2,338</u>
Increase in working capital	19	(259)
Working capital at beginning of year	11,158	8,376
Working capital at end of period	<u>\$11,177</u>	<u>\$ 8,117</u>

TOROMONT INDUSTRIES LTD.**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Toromont Industries Ltd. (the "Corporation") will be held in Wellesley Hall, Salon A, The Sutton Place Hotel, Toronto, Ontario, on the 1st day of June, 1979 at the hour of 11:00 a.m., for the following purposes:

- (a) To receive the report of the directors and the consolidated financial statements of the Corporation and its subsidiary companies for the fiscal year ended December 31, 1978, together with the report of the auditors thereon;
- (b) To elect directors;
- (c) To appoint auditors and authorize the directors to fix their remuneration;
- (d) To consider, and if thought fit, to confirm with or without variation By-Law No. 22 of the Corporation, being a by-law increasing by 116,250 the number of common shares reserved for the Corporation's Incentive Stock Purchase Plan;
- (e) To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 7th day of May, 1979.

By order of the Board of Directors
A. L. Fagan, Jr.
Secretary

If you are unable to attend the meeting in person, please date and sign the enclosed form of proxy and return it in the envelope provided for that purpose.

TOROMONT INDUSTRIES LTD.

MANAGEMENT PROXY CIRCULAR

SOLICITATION OF PROXIES

This management proxy circular is furnished in connection with the solicitation of proxies by the management of Toromont Industries Ltd. (the "Corporation") for use at the Annual Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. The solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Corporation. The cost of the solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Corporation. **A shareholder desiring to appoint some other person to represent him at the meeting may do so by** inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Corporation at the registered office of the Corporation, 65 Villiers Street, Toronto, Ontario, at least 48 hours (excluding Saturdays and holidays) before the time of the meeting.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote for or vote against or withhold from voting the shares represented by properly executed proxies in accordance with the instructions contained therein. **In the absence of instructions such shares will be voted for the election of directors, the appointment of auditors and the confirmation of By-Law No. 22 as stated under those headings in this circular.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to such other matters which may properly come before the meeting. At the time of printing this circular the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has 3,141,469 common shares outstanding and each of such shares carries the right to one vote at the meeting. To the knowledge of the directors and officers of the Corporation, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the votes attached to the shares of the Corporation except as stated below.

Mr. S. J. Sinclair, a director and officer of the Corporation, holds 1,237,257 common shares of the Corporation representing 39.4% of the outstanding common shares.

GBC Capital Limited holds a total of 611,000 common shares of the Corporation representing 19.4% of the outstanding common shares. Mr. N. B. Ivory, a director of the Corporation, is an officer and director of GBC Capital Limited.

The only persons entitled to vote at the meeting or to be represented thereat by proxy will be shareholders of record at the close of business on May 7, 1979.

ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are listed below, all of whom are now members of the board of directors and have been since the date indicated. The management of the Corporation does not contemplate that any such nominee will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote in their discretion for other nominees as directors. Each director elected will hold office until the next annual meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table sets out the name of each person proposed to be nominated by management for election as a director of the Corporation; all other major positions and offices in the Corporation or any of its significant affiliates now held by him; his principal occupation or employment; the year in which he was first elected a director; and the approximate number of common shares of the Corporation that he has advised are beneficially owned by him or over which control or direction is exercised by him.

	Year first became a director	Approximate number of common shares
R. G. Bremner is Chairman of the Board of Acadia Forest Products Limited	1976	50,500
P. F. Fenton, Jr. is Chairman of the Division of Business Administration, Bishop's University	1973	1,100
J. W. Fraser is President of Canada Forgings, a Division of Toromont Industries Ltd. (formerly Canada Forgings Limited) and Vice-President of the Corporation	1978	35,300
N. B. Ivory is President of Pembroke Management Ltd. (investment management company)	1974	100
N. J. Lucas is Vice-President of the Corporation in charge of industrial refrigeration operations, President, Chief Executive Officer and a director of Allen Tank Limited and Allen Tank (London) Limited (subsidiaries of CIMCO Limited), a director of CIMCO Limited and Lewis Refrigeration Co. (subsidiaries of the Corporation) and Aero Tech Mfg., Inc. (subsidiary of Lewis Refrigeration Co.)	1976	60,000
C. A. Maase is President of Maase Corporation Limited (holding company)	1978	33,190
W. A. McKenzie is President of Admac Holdings Limited (private investment company)	1973	55,000
W. C. Pitfield is President of Pitfield Mackay Ross Limited (investment dealers)	1978	1,000
S. J. Sinclair is Chairman of the Board and Chief Executive Officer of the Corporation, Chairman of the Board of Lewis Refrigeration Co. (subsidiary of the Corporation) and a director of CIMCO Limited (subsidiary of the Corporation), Allen Tank Limited, Allen Tank (London) Limited (subsidiaries of CIMCO Limited) and Aero Tech Mfg., Inc. (subsidiary of Lewis Refrigeration Co.)	1969	1,237,257

DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES FOR 1978

	NATURE OF REMUNERATION EARNED					
	Directors' fees	Salaries	Bonuses	Non-accountable expense allowances	Other	Total
REMUNERATION OF DIRECTORS (note 1)	\$42,100	nil	nil	nil	\$ 22,207	\$ 64,307
Number of Directors: 10						
REMUNERATION OF OFFICERS (note 2)	nil	\$341,878	\$130,800	nil	79,353	552,031
Number of Officers: 5						
TOTALS	\$42,100	\$341,878	\$130,800	nil	\$101,560	\$616,338

Note 1: Aggregate remuneration paid to directors as directors, except for "Other" which comprised consulting fees.

Note 2: Aggregate remuneration paid to officers as officers, except for "Other" which comprised a portion of a retiring allowance paid to one of the officers.

The estimated aggregate cost to the Corporation and its subsidiaries during the financial year ended December 31, 1978 of all benefits proposed to be paid to the directors and officers of the Corporation under any pension or retirement plan upon retirement at normal retirement age was \$32,251.

INCENTIVE STOCK PURCHASE PLAN

During 1978, officers of the Corporation were granted rights to purchase a total of 70,000 common shares under the Corporation's Incentive Stock Purchase Plan and purchased 55,000 shares pursuant to the exercise of such rights. Particulars are as follows:

Date of Grant of Right	Date of Expiry of Right	Number of Shares Subject to Purchase	Date of Purchase	Number of Shares Purchased	Price Per Share	Price Range of Shares on Toronto Stock Exchange in the 30-day Period Preceding the Granting and Exercising of the Right
August 15, 1978	August 15, 1978	70,000	August 15, 1978	55,000	\$4.05	\$3.20 - \$4.25

As of the date hereof, the following persons are indebted to the Corporation on account of interest-free loans made in accordance with the Incentive Stock Purchase Plan of the Corporation:

Name of Officer	Outstanding Amount	
	Largest Aggregate Amount Since January 1, 1978	Present Balance
S. J. Sinclair	\$169,920.00	\$140,130.00
A. L. Fagan, Jr.	33,840.00	32,077.50
N. J. Lucas	116,437.50	111,240.00
J. W. Fraser	141,750.00	141,750.00

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides directors' and officers' liability insurance with a policy limit of \$5,000,000 per year subject to a deductible of \$20,000 per occurrence and 5% of the amount of each loss in excess of \$20,000. Under this insurance coverage the Corporation is reimbursed for payments made under corporate indemnity provisions on behalf of its directors and officers and individual directors and officers are reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Corporation. The portion of the premiums allocated to the fiscal year ended December 31, 1978 was \$8,788, all of which was paid by the Corporation.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Touche Ross & Co., Chartered Accountants, Toronto, Ontario, who have been auditors of the Corporation for more than five years, as auditors of the Corporation to hold office until the next annual meeting of shareholders.

CONFIRMATION OF BY-LAW NO. 22

The meeting will be asked to consider and, if thought fit, to confirm with or without variation By-Law No. 22 of the Corporation passed by the directors on August 15, 1978.

By-Law No. 22 increases by 116,250 the number of common shares reserved for the Corporation's Incentive Stock Purchase Plan.

The above description of By-Law No. 22 does not purport to be complete and reference is made to the complete text of the said by-law which will be available at the meeting.

By-Law No. 22 will not become effective until it has been confirmed by a majority of the votes cast at the meeting.

DIRECTORS' APPROVAL

The contents and the sending of this circular have been approved by the directors of the Corporation.

Dated as of May 7, 1979.

A. L. Fagan, Jr.
Secretary

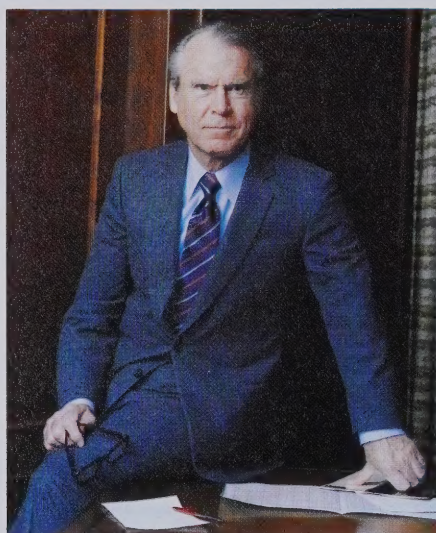
FINANCIAL HIGHLIGHTS

	Year Ended December 31		
	1979	1978	% Change
Sales	\$70,554,000	\$59,779,000	+ 18
Net earnings from continuing operations	2,008,000	1,808,000	+ 11
Depreciation	980,000	789,000	+ 24
Capital expenditures	2,362,000	3,154,000	- 25
Dividends	628,000	618,000	+ 2
Working capital	11,031,000	11,158,000	- 1
Long term debt (excluding current portion)	6,784,000	7,690,000	- 12
Shareholders' equity	16,202,000	14,637,000	+ 11
Common Share Data			
Net earnings from continuing operations	\$0.64	\$0.59	+ 8
Dividends	0.20	0.20	—
Shareholders' equity	5.21	4.66	+ 12
Number of shares outstanding	3,109,884	3,141,469	- 1

Annual Meeting

The Annual Meeting of the Shareholders of the Corporation will be held in the Library Room of The Royal York Hotel, Toronto, Ontario at 11:00 a.m. on Thursday, May 29, 1980.

TO OUR SHAREHOLDERS



1979 was a year of continued progress for Toromont. Our Canadian operations in engineered products and industrial refrigeration had record sales and earnings. In the U.S., however, the picture was less favourable. Our industrial refrigeration operations involved with petrochemicals had increased sales and earnings but sales of our food freezing systems suffered from weak market conditions and the food division operated at a loss. Overall, however, operating results for the company showed improvement over last year.

The Record

In 1979, Toromont's sales were \$70,554,000, net earnings from continuing operations were \$2,008,000 or 64¢ per share and net earnings after extraordinary item were \$2,304,000 or 73¢ per share. Comparative figures for 1978 were sales of \$59,779,000, net earnings from continuing operations of \$1,808,000 or 59¢ per share and net earnings after special items of \$4,201,000 or \$1.37 per share. In 1978, special items included a gain on the sale of a subsidiary of \$2,020,000 or 66¢ per share.

Highlights

Our forging division, Canada Forgings, has experienced steady growth in sales and earnings since its acquisition in 1975. The new ring rolling facility, installed in 1978, is beginning to contribute materially to the profitability of the division. This facility, the only one of its kind in Canada, produces a range of products for markets which continue to expand such as aerospace and equipment for energy production. Last year, the division achieved a new high in sales and earnings and we expect a continuation of this performance. We continue to make major capital expenditures to expand and improve our production capabilities including the purchase of four acres of land adjacent to the present plant which will provide the space for our next major expansion.

Our El-Met-Parts Division, which manufactures steel laminations and wound electrical cores also had record high sales and earnings last year due in part to strong export demand. The division added significantly to its production capabilities with the installation of a new high speed 150 ton Minster press and a major expansion and renovation of its heat treating facilities.

In 1979, our Canadian industrial refrigeration subsidiary, CIMCO Limited, had an excellent year with sales and earnings at new highs. The domestic market for refrigeration systems was strong and the company also benefited from the acquisition of Associated Refrigeration Industries (ARI), a refrigeration contractor in Alberta, and the merger of CIMCO's Alberta operations with those of ARI.

The results of our U.S. industrial refrigeration subsidiary, Lewis Refrigeration Co., showed a mixed picture last year. Lewis' petrochemical division had a year of growth and improved profits and the European division which sells food freezing systems in the U.K. and the continent had a satisfactory year. However, as had been anticipated, market conditions for food freezing systems in the U.S. were unfavourable and as a result, this division operated at a significant loss.

During the year, the company accepted \$280,000 as a final settlement from a legal action against the former auditors of CIMCO in connection with the acquisition of CIMCO in 1969. While the amount recovered was less than we had anticipated through legal process, we decided to accept this settlement and terminate this very lengthy litigation.

Capital Expenditures

Capital expenditures in 1979 amounted to \$2,362,000, compared with \$3,154,000 in 1978. Major items of expenditure included, for CanForge, a rotary hearth furnace, a vertical boring mill and the land for expansion and for El-Met, a 150 ton Minster press and a major expansion and renovation of its heat treating facilities. In the U.S., our Salt Lake City manufacturing unit, Aero Tech, significantly added to its production capabilities with the addition of a numerically controlled Amada punch and shear.

We anticipate that capital expenditures will continue at a high level over the next several years and believe that we are now beginning to see the effect on operating results of the considerable investment made in recent years. Our commitment to long term growth is perhaps best evidenced by our

record of capital investment. In the five year period 1975-1979, we invested more than \$10 million in capital expenditures primarily in machinery and equipment. This figure exceeds the total after tax profits from continuing operations in this same period by some 25%.

Looking Ahead

Economic conditions in Canada and the U.S. pose considerable uncertainties at this point in time with record high interest rates and many recessionary signs. Our incoming order volume, however, continues strong. For example, the petrochemical division of Lewis was recently awarded contracts in excess of \$5 million from the agricultural agency of the Mexican government. Our current backlog exceeds \$45,000,000, which is two-thirds higher than it was at this time last year.

We expect this year to have continued strong performances from our forging division, our lamination division and our Canadian industrial refrigeration operations. We further expect improvement in the results of our U.S. industrial refrigeration operations in both the food freezing and petrochemical areas. Overall, and allowing for the economic uncertainties, we anticipate that Toromont's operating results will be favourable in 1980.

Over the longer term, we are optimistic that our strong market positions, particularly in businesses which are energy-related, will result in continued growth in sales and earnings. On behalf of your Board of Directors, I would like to thank our customers, suppliers, employees and shareholders for their contribution to our progress.



S. J. Sinclair
Chairman of the Board &
Chief Executive Officer

May 7, 1980

REVIEW OF OPERATIONS

Industrial Refrigeration

CIMCO Limited

St. John's, Newfoundland
Dartmouth, Nova Scotia
Quebec, Quebec
Montreal, Quebec
Ottawa, Ontario
Toronto, Ontario
London, Ontario
Winnipeg, Manitoba
Regina, Saskatchewan
Calgary, Alberta
Edmonton, Alberta
Vancouver, British Columbia

Allen Tank Limited

Scarborough, Ontario

Allen Tank (London) Limited

London, Ontario

Lewis Refrigeration Co.

Malden, Massachusetts
Chicago, Illinois
Houston, Texas
Redmond, Washington
Norwich, England

Aero Tech Mfg., Inc.

North Salt Lake, Utah

Toromont's industrial refrigeration operations specialize in the design, manufacture, installation and servicing of refrigeration systems for the food processing, petrochemical and recreational industries.

CIMCO Limited, our Canadian industrial refrigeration subsidiary, is a leader in its markets, the most important of which have been refrigeration systems for the processing and storage of food and beverages and ice rinks. CIMCO's national service organization which now stretches from New-

foundland to Vancouver, is beginning to play an increasingly important role in both the organization and the financial results of the company.

In 1979, CIMCO had an excellent year, with sales and earnings at record levels. This was due in part to strength in the company's domestic markets, an increase in export orders and the acquisition of Associated Refrigeration Industries (ARI), a refrigeration contractor located in Edmonton, Alberta and the merger of CIMCO's Alberta operations with those of ARI.

Major jobs completed in 1979 included a \$1.6 million low temperature test facility in Blainville, Quebec for the Federal Government, and cold storage plants for Canada Safeway in Edmonton, Alberta and Associated Freezers Ltd. in Moncton, New Brunswick.

In 1979, the market for fish plants was strong in the Maritime provinces and important jobs completed there included a new plant for National Sea Products at Arnold's Cove, Newfoundland, an expansion of Arctic Fisheries Ltd. at South Dildo, Newfoundland and Beothic Fisheries at Valleyfield, Newfoundland as well as the supply of numerous industrial ice makers and other equipment to smaller processors.

CIMCO enters 1980 with the largest backlog of orders in its history and we anticipate another excellent year for the company. Major jobs to be completed in 1980 include a \$1.7 million meat processing plant for Steinberg Inc. in Toronto; a fish processing plant for Triton Seafoods Ltd. in Triton, Newfoundland; cold storage plants for Canada Safeway in Winnipeg, Manitoba and Windsor Packing Co., Ltd. in Windsor, Ontario; a modernization program at Wm. Neilson Ltd. in Toronto, Ontario; and, the New Barrhaven Recreation Complex in Ottawa, Ontario.

Our U.S. subsidiary, Lewis Refrigeration Co., serves the petrochemical, food processing and food storage markets.

In 1979, Lewis' Petrochemical Division benefited from a strong market and operating results were good. Petrochemical market conditions continue favourable and the division entered 1980 with a good backlog position. Early this year, contracts were received totalling in excess of \$5 million to produce dehumidification units for the agricultural agency of the Mexican Government. We look for this division to show substantial growth in sales and earnings over the next several years.

In 1979, however, the results of the Lewis Food Division were disappointing. The European market for food freezing systems held up relatively well last year but the

domestic market for these products was weak. We anticipate some strengthening of domestic market demand in 1980 and as the European market outlook remains favourable, we expect better results from this division in 1980.

Aero Tech Mfg., Inc., our manufacturing facility in Salt Lake City, had a year of moderate activity in 1979. It was a transition year in which a great deal of time and effort was expended in shaking down the various operations in our new plant. The company has emerged from this period with a much more efficient operation and entered 1980 with a substantial backlog. We anticipate that 1980 will be a year of significantly improved sales and earnings for Aero Tech.

Allen Tank Limited, a manufacturer of pressure vessels for the refining, petrochemical and chemical industries, had significantly reduced sales in 1979 due primarily to a weakness in market demand for its products. 1979 was a difficult year for this industry due to uncertainties and delays in startups of energy projects, both domestic and foreign. As a result, competing plants were underbooked, competition for orders was intense and margins were low. However, the latter months of 1979 saw increased bookings for manufacture in 1980 and we expect 1980 to be a turnaround year with improved operating results. The long term outlook for the company is promising as major energy projects gain final authorizations and construction gets underway.

Engineered Products

Canada Forgings, a Division of Toromont Industries Ltd.
Welland, Ontario

El-Met-Parts Division of Toromont Industries Ltd.
Dundas, Ontario

Our forging division, CanForge, operates two plants in Welland, Ontario. The Open Die Plant produces forgings up to twenty tons from equipment which includes presses, hammers and the only ring rolling facilities in Canada. The Closed Die Plant produces impression die forgings up to 150 pounds on steam and board drop hammers.

CanForge has experienced steady growth since its acquisition by Toromont in 1975. Major capital expenditures in this division, including the installation of new ring rolling facilities in 1978, have assisted in strengthening CanForge's marketing and productive capabilities and have contributed significantly to its improved operating profits in 1979.

CanForge's strength in rolled ring products is becoming well known in the marketplace and the outlook is promising for continued sales growth in this product line in light of major energy-related projects both in Canada and the United States.

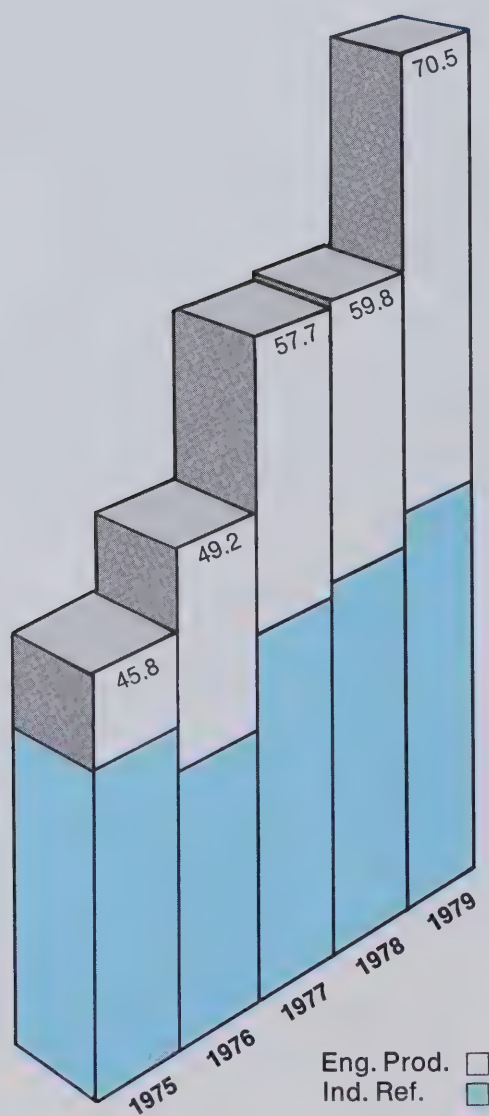
CanForge is in a strong backlog position entering 1980 and we look forward to a continuation of new highs in sales and earnings from this division.

The company's El-Met-Parts Division is Canada's largest independent manufacturer of steel laminations and wound electrical cores for the electrical and electronic industries. These products are basic components of transformers, lighting ballasts and motors for appliances, portable tools and industrial uses.

El-Met had record high sales and earnings in 1979 due in part to robust export demand and we anticipate another very good year in 1980. In 1979, the division added to its production capabilities with the installation of a new high speed 150 ton Minster press, and a major renovation and expansion of its heat treating facilities.

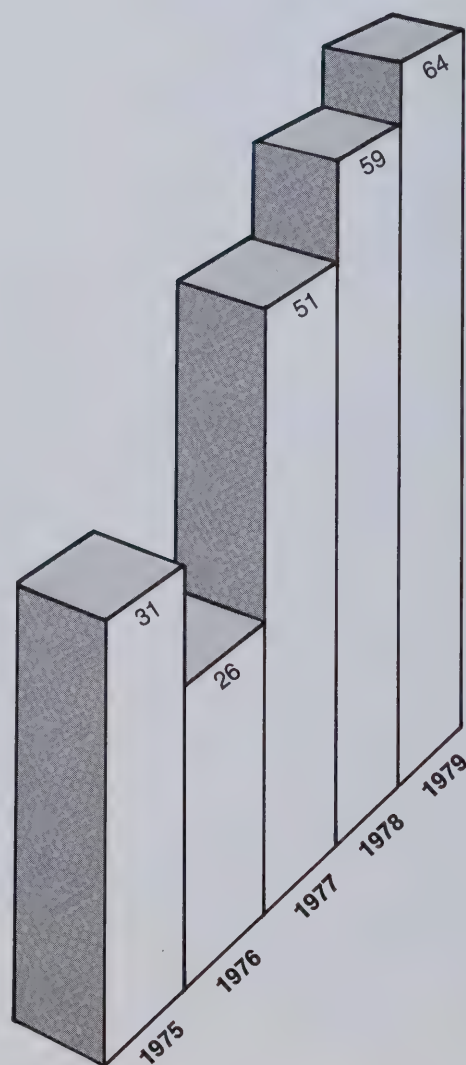
FIVE YEAR REVIEW

***Sales**
(millions of dollars)



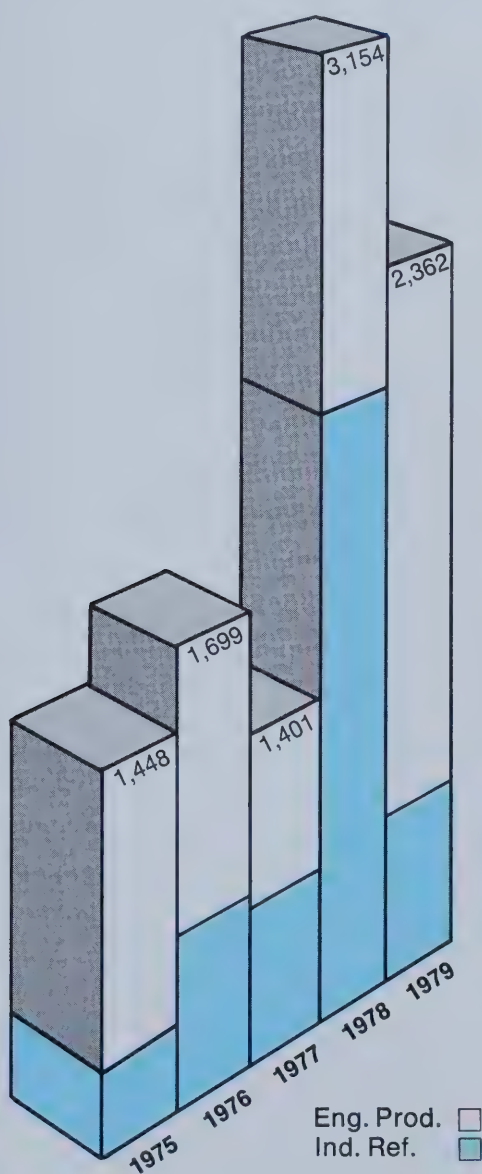
*Continuing Operations

†Net Earnings per Common Share
(cents)

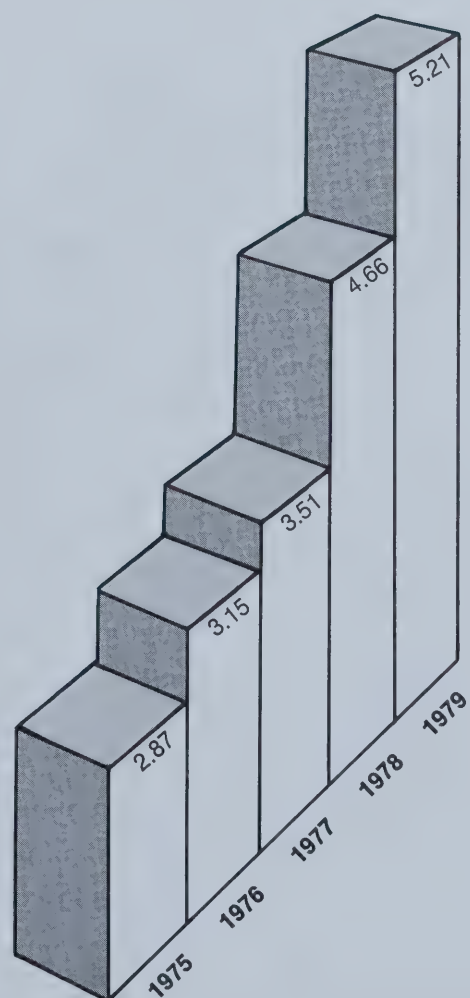


†from Continuing Operations
before extraordinary items

***Capital Expenditures**
(millions of dollars)



Equity per Share
(dollars)



*Continuing Operations

CONSOLIDATED BALANCE SHEET

As At December 31, 1979

(with comparative figures for 1978)

(Incorporated under the Canada Business Corporations Act)

	(Thousands of dollars)	
	1979	1978
ASSETS		
Current		
Accounts receivable		
Trade, less allowance for doubtful accounts of \$267 (1978 - \$306)	\$13,984	\$10,065
Other	307	50
Receivable on sale of subsidiary company, net	—	3,009
Inventories (Note 1)	12,021	9,880
Notes receivable (Note 2)	185	150
Prepaid expenses	308	277
Deferred income taxes	85	77
Total current assets	26,890	23,508
Notes receivable and other assets (Note 2)	1,004	1,220
Property, plant and equipment (Note 3)		
Buildings, machinery and equipment	17,217	14,915
Less accumulated depreciation	7,144	6,164
	10,073	8,751
Land	638	578
	10,711	9,329
Goodwill	2,141	2,145
	\$40,746	\$36,202

See accompanying notes to consolidated financial statements.

On behalf of the Board

S. J. Sinclair, Director

R. G. Bremner, Director

	(Thousands of dollars)	
	1979	1978
LIABILITIES		
Current		
Bank indebtedness, secured	\$ 5,333	\$ 3,775
Accounts payable and accrued liabilities	8,699	6,702
Dividends payable	324	236
Income taxes payable	354	279
Current portion of long-term debt	1,149	1,358
Total current liabilities	15,859	12,350
Long-term debt (Note 4)	6,784	7,690
Deferred income taxes	1,639	1,271
Unrealized gain on foreign exchange	258	250
Minority interest in subsidiary company	4	4
Total liabilities	24,544	21,565
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	5,006	5,056
Contributed surplus	386	386
Retained earnings	10,810	9,195
	16,202	14,637
	\$40,746	\$36,202

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

For The Year Ended December 31, 1979

(with comparative figures for 1978)

	(Thousands of dollars)	
	1979	1978
Sales	\$70,554	\$59,779
Costs and expenses		
Cost of products sold and services rendered	56,616	49,016
Selling, general and administrative	9,448	6,748
Interest on long-term debt	1,042	796
Other interest	617	418
Total costs and expenses	67,723	56,978
	2,831	2,801
Other income	517	305
Earnings for the year before provision for income taxes	3,348	3,106
Provision for income taxes (Note 6)		
Current	994	960
Deferred	345	337
	1,339	1,297
Earnings from continuing operations before minority interest	2,009	1,809
Minority interest in earnings of subsidiary company	(1)	(1)
Net earnings from continuing operations	2,008	1,808
Extraordinary items		
Recovery of income taxes due to loss carry forward	296	—
Gain on sale of property, plant and equipment (net of applicable income taxes of \$114)	—	312
Discontinued operations of subsidiary company		
Net earnings	—	61
Gain (loss) on sale	—	2,020
	296	2,393
Net earnings for the year	\$ 2,304	\$ 4,201
Earnings per common share (Note 7)		
Continuing operations	\$0.64	\$0.59
Extraordinary item	0.09	0.10
Discontinued operations of subsidiary company		
Net earnings	—	0.02
Gain (loss) on sale	—	0.66
Net earnings for the year	\$0.73	\$1.37

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For The Year Ended December 31, 1979
(with comparative figures for 1978)

	(Thousands of dollars)	
	1979	1978
Retained earnings at beginning of year	\$ 9,195	\$ 5,612
Net earnings for the year	2,304	4,201
	11,499	9,813
Premium on repurchase of common shares (Note 5)	61	—
Common dividends, 20¢ per share (1978 - 20¢)	628	618
Retained earnings at end of year	\$10,810	\$ 9,195

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

The Shareholders,
Toromont Industries Ltd.

We have examined the consolidated balance sheet of Toromont Industries Ltd. as at December 31, 1979 and the consolidated statements of retained earnings, earnings and changes in financial position for the year then ended. Our examination was made in

accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly

the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants
Toronto, Ontario
April 15, 1980.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year Ended December 31, 1979

(with comparative figures for 1978)

	(Thousands of dollars)	
	1979	1978
Source of funds		
Operations		
Net earnings from continuing operations	\$ 2,008	\$ 1,808
Add (deduct) items not requiring use of funds		
Depreciation	980	789
Deferred income taxes	369	257
Goodwill written off	4	329
Loss (gain) on sale of property, plant and equipment	—	37
Funds from continuing operations	3,361	3,220
Recovery of income taxes due to loss carry forward	296	—
Net earnings from discontinued operations	—	61
Gain (loss) on sale of subsidiary	—	2,020
	3,657	5,301
Issuance of capital stock	—	323
Sale of property, plant and equipment less income taxes payable thereon	—	477
Sale of subsidiary company		
Excess of cost over net assets	—	162
Property, plant and equipment	—	305
Unrealized gain on foreign exchange	8	144
Decrease in notes receivable and other assets	216	—
	3,881	6,712
Application of funds		
Additions to property, plant and equipment	2,362	3,154
Common share dividends	628	618
Increase in notes receivable and other assets	—	108
Decrease in long-term debt, net	906	50
Repurchase of common shares (Note 5)	112	—
	4,008	3,930
(Decrease) increase in working capital	(127)	2,782
Working capital at beginning of year	11,158	8,376
Working capital at end of year	\$11,031	\$11,158

See accompanying notes to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies which, with the exception of CIMCO Limited, are wholly-owned. The Company owns 99.9% and 98.9% respectively of the common and Class "A" shares of CIMCO Limited. All significant inter-company transactions and profits between the Company and its subsidiary companies have been eliminated on consolidation.

Newly acquired subsidiary companies are consolidated from the effective date of their acquisition. The results of operations of subsidiary companies sold during the year are disclosed separately up to the effective date of sale. The gain or loss on disposal is also disclosed separately.

Revenue recognition

Revenues from contracting activities involving design, manufacture and installation of equipment are recorded on the completed contract method based upon substantial technical completion. Any foreseeable losses on contracts are charged to operations at the time they become evident.

Revenues from the sale of products and services are recorded when goods are shipped and services are rendered, or in accordance with contractual agreements.

Inventories

Inventories of raw materials, work-in-process and finished goods are valued at the lower of cost (principally on the first-in, first-out method) and net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Government grants received to acquire assets are deducted from the cost of the related asset. Depreciation is provided using substantially the straight-line method over the estimated useful lives of the various classes of assets.

Gains or losses on the disposal of assets are included in earnings and the cost and accumulated depreciation related to these assets are removed from the accounts.

Repairs and maintenance costs are charged to operations as incurred and renewals and betterments are capitalized.

Foreign exchange

The accounts of foreign subsidiary companies have been translated into Canadian dollars using the temporal method and as such at exchange rates prevailing at the balance sheet dates for monetary items, at exchange rates prevailing at the respective transaction dates for non-monetary items and at average exchange rates prevailing during the year for revenue, costs and expenses, excluding depreciation and amortization which are translated at rates in effect when the assets were acquired. Unrealized translation gains and losses are deferred and realized translation gains and losses are included in the determination of earnings for the year.

Goodwill

Goodwill represents the excess of the purchase price over the value attributed to net tangible assets of businesses acquired. Goodwill acquired prior to 1974 is considered to have continuing value and is not being amortized. Goodwill acquired subsequently is being amortized over its estimated useful life on the straight-line method, not exceeding forty years.

Income taxes

The Company follows the tax deferral method of providing for income taxes. Under this method, timing differences between reported and taxable income result in deferred taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

1. Inventories

	1979	1978
	(\$000)	
Raw material	\$ 7,622	\$4,178
Work-in-process	3,619	3,857
Finished goods	744	821
Contract costs net of progress billings	36	1,024
	\$12,021	\$9,880

2. Notes receivable and other assets

	1979	1978
	(\$000)	
Secured, interest free notes receivable		
Employee Incentive Stock Purchase Plan		
Officers and directors	\$ 413	\$ 435
Other employees	176	212
Mortgage and other employee loans	72	72
Notes receivable	200	280
Other	328	371
	1,189	1,370
Less current portion	185	150
	\$ 1,004	\$1,220

3. Property, plant and equipment

Buildings and improvements with a net book value of \$540,828 are situated on leased land. The lease expires in 1981 at which time the lessor must offer to renew the lease or the lessor must purchase the buildings, including improvements, at the then appraised fair market value.

Property, plant and equipment includes a machine leased under a capital lease with a capitalized cost of \$281,614 and accumulated amortization of \$10,123.

4. Long-term debt

	1979	1978
	(\$000)	
Term bank loans, secured by a floating charge on all assets of the Company and bearing interest at 1% to 1¾% above the current prime rate, repayable on various terms	\$5,967	\$7,073
Notes payable, secured		
Repayable to the Government of Canada in five annual instalments commencing in 1979 and non-interest bearing	470	587
Mortgage payable and other instalment notes bearing interest at 9% to 10.9%	1,128	1,345
Obligation under capital lease	319	—
Policy loans, secured by cash surrender value of life insurance policies bearing interest at 5% to 6%	49	43
	7,933	9,048
Less instalments due within one year, including capital lease portion of \$38	1,149	1,358
	\$6,784	\$7,690

The following is a schedule of minimum lease payments under the capital lease:

1980	\$ 60
1981	60
1982	60
1983	60
1984	60
Thereafter	105
	405
Less amount representing interest	86
	\$319

5. Capital stock

The capital stock of the Company consists of 650,000 preferred and 10,000,000 common shares of which 3,109,884 common shares are issued at December 31, 1979 (1978 — 3,141,469).

During the year the Company repurchased and cancelled 31,585 of its issued common shares for \$112,126 (\$3.55 per share). The premium of \$61,287, representing the excess of purchase price over paid-in capital, has been charged to retained earnings.

At December 31, 1979, 70,000 common shares have been reserved for future issuance at the market price at time of issue under the Employee Incentive Stock Purchase Plan.

6. Income taxes

The Company has available unrecorded investment tax credits of \$106,000 of which \$12,000 must be utilized by December 31, 1983 and \$94,000 by December 31, 1984.

Provision for income taxes is approximately \$325,000 less than the amount computed by applying the statutory rates of tax to earnings before income taxes. The reduced rate of effective tax is a result of manufacturing and processing tax credits, the 3% inventory allowance and investment tax credits.

7. Earnings per common share

Earnings per share are calculated based upon the weighted average number of shares outstanding during the year which was 3,140,153 (1978 – 3,067,168).

8. Pension plan

The Company contributes to pension plans available to a majority of its salaried and certain of its other employees. Pension costs charged against revenue during the period include \$247,200 for current and past service. The latest actuarial valuations of these plans indicated a surplus of \$374,921 in one plan and a total unfunded past service liability of \$1,030,950 in the other plans. The unfunded liability of \$820,000 is being funded over future years to 1991 and the balance of the unfunded liability to 1997.

9. Legal action

During the year the Company recovered \$280,000 from a legal action launched against the former auditors of CIMCO Limited, claiming damages in connection with the purchase of CIMCO Limited. The amount is included with other income after deducting previously deferred legal costs of \$34,000.

10. Segmented information

The financial information of the classes of business of the Company, as determined by the directors, is summarized below:

	Year ended December 31			
	1979		1978	
	(\$000)			
	Sales	Income before taxes	Sales	Income before taxes
Industrial refrigeration	\$39,832	\$ 404	\$37,705	\$2,247
Engineered products	30,722	3,921	22,074	2,211
	70,554	4,325	59,779	4,458
Common costs	—	977	—	1,352
	\$70,554	\$3,348	\$59,779	\$3,106

11. Remuneration of directors and senior officers

The remuneration of directors and senior officers paid during 1979 amounted to \$682,410 (1978 – \$616,338).

12. Other commitments

The Company leases land, buildings and equipment under several non-cancellable operating leases which require minimum annual payments as follows; 1980 – \$223,000; 1981 – \$184,000; 1982 – \$159,000; 1983 – \$158,000; 1984 – \$148,000 and \$709,000 thereafter.

The Company is contingently liable to repay the forgiveable portion of a loan from the Government of Canada to acquire certain equipment amounting to \$587,000 if conditions in the agreement are not met.

The Company has subleased certain property and rentals receivable are as follows: 1980 – \$57,000; 1981 – \$61,000; 1982 – \$64,000 and 1983 – \$60,000.

CORPORATE DIRECTORY

The Board of Directors

†* R. G. Bremner
Toronto, Ontario
Chairman of the Board
Acadia Forest Products Limited

† P. F. Fenton, Jr.
Lyme, New Hampshire
Investment counsellor

J. W. Fraser
St. Catharines, Ontario
President
Canada Forgings, a Division
of Toromont Industries Ltd.

‡* N. B. Ivory
Montreal, Quebec
President
Pembroke Management Ltd.

N. J. Lucas
Toronto, Ontario
President and Chief Executive
Officer
Lewis CIMCO

† C. A. Maase
Brockville, Ontario
President
Maase Corporation Limited

*† W. A. McKenzie
London, Ontario
President
Admac Holdings Ltd.

‡ W. C. Pitfield
Toronto, Ontario
President
Pitfield Mackay Ross Limited

†‡ S. J. Sinclair
Chairman of the Board and
Chief Executive Officer
Toromont Industries Ltd.

* Member of Audit Committee

† Trustee of Pension Funds

‡ Member of Management
Resources Committee

Officers of the Corporation

S. J. Sinclair,
Chairman of the Board and
Chief Executive Officer

J. W. Fraser,
Vice-President

N. J. Lucas,
Vice-President

A. L. Fagan, Jr.,
Vice-President, Finance &
Secretary

Officers of Subsidiaries and Divisions

CIMCO Limited
65 Villiers Street
Toronto, Ontario
M5A 3S1

N. J. Lucas,
Chairman

F. G. Lunn,
President

H. R. Hepburn,
Vice-President, Marketing

R. S. Rose,
Vice-President, Engineering

J. J. Shepherd,
Vice-President, Engineering —
Petrochemical Division

L. W. Goodman,
Comptroller

Lewis Refrigeration Co.

Food Division
4044 - 148th Avenue N. E.
Redmond, Washington 98052

R. F. Meyer,
President

M. J. Bennett,
Vice-President, Operations

A. P. Gooseff,
Vice-President, Sales

G. C. Simpkins,
Managing Director, U.K. Division

Lewis Refrigeration Co.

Petrochemical Division
1014 Wirt Road, Suite 250
Houston, Texas 77055

C. L. Smith,
Vice-President

Lewis Refrigeration Co.

Eastern Division
200 Maplewood Street
Malden, Massachusetts 02148

S. P. Giannelli,
Manager

Aero Tech Mfg., Inc.

395 West 1100 North
North Salt Lake, Utah 84054

N. J. Lucas,
President

B. M. Osojnak,
Vice-President, Engineering

M. A. Kaufmann,
Controller

Allen Tank Limited

285 Raleigh Avenue
Scarborough, Ontario
M1K 1A5

N. J. Lucas,
President

J. N. Buckley,
Executive Vice-President

J. W. Teed,
Vice-President, Manufacturing

Allen Tank (London) Limited

750 Little Simcoe Street
London, Ontario
N5Z 1P4

N. J. Lucas,
President

F. Jemec,
Plant Manager

E. A. Smith,
Engineering Manager

**Canada Forgings, a Division of
Toromont Industries Ltd.**

P.O. Box 308
Welland, Ontario
L3B 5P8

J. W. Fraser,
President

W. H. Barrick,
Vice-President, Sales/Marketing

J. H. Gillow,
Vice-President, Manufacturing

C. J. Finlayson,
Controller

**El-Met-Parts Division of Toromont
Industries Ltd.**

47 Head Street
Dundas, Ontario
L9H 3H6

J. Papakyriakou,
President

M. A. Stinson,
Controller

Head Office

65 Villiers Street
Toronto, Ontario
M5A 3S1

Auditors

Touche Ross & Co.
Chartered Accountants

Transfer Agent and Registrar

Crown Trust Company
Toronto, Ontario
Montreal, Quebec

Common Shares

Listed on the Toronto Stock
Exchange and the Montreal Stock
Exchange

Bankers

The Toronto-Dominion Bank
The Mercantile Bank of Canada

